Reg. No.MH/MR/South-82/2012-14 TN/CH(C)250/2012-14 RNI No.35850/80 Published on: Every alternate Monday Posted on: Every alternate Monday – Tuesday ₹20

Business India

THE MAGAZINE OF THE CORPORATE WORLD

July 22, 2012

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THE BIG BITE

The restaurant business is booming. Patrons, promoters and punters are seeing more and more action on the menu

The Big Bite

SANJAY BORADE

THE HEMLINE INDEX was proposed by economist George Taylor in 1926. It says that when stock markets rise, so do women's skirts. Not in Marilyn Monroe style. The theory suggests that hemlines of miniskirts move up when the economy is on a roll and down again when it hits a bump. Recent research indicates that Taylor may well have been right.

In India, we are unlikely to get much opportunity to study the ups and downs of the hemline as an unorthodox indicator of the health of the economy. An alternative metric, though less interesting, is the restaurant line index. This postulates that the queue of people waiting for entry to a popular restaurant gets longer when the economy is doing better.

This is really common sense. If you have more money in your pocket, you eat out more. But eating out is an expense that can easily be postponed. So if inflation is biting or you didn't get your last pay hike, you are likely to skip the neighbourhood Punjab da Muttar or the La Gioconda ("The Smiley People") at the city centre.

But something strange is happening today. The economy is in the doghouse; even Prime Minister Manmohan Singh says so. The world is waiting for the first BRIC "fallen angel" to fold up its wings and return to the Hindu rate of growth. Yet at restaurants across the country, the clientele has not thinned a whit. "People can't down-trade further," says Dheeraj Gupta, founder and CEO of Jumbo King, which has 45 *vada pav*

outlets across three states. "We are seeing more traffic. It must be affecting the more expensive places." Turn to the fine dining Riche Riche at the five-star near the airport and the maître d'hôtel will tell you with a sniff that his customers are not affected. "Our clients are never bothered about money." When a dinner for two with a drink or two can set you back ₹10,000 (*see box*), it doesn't matter if the hoi polloi is feeling skint.

One explanation is that the so-called economic slowdown is the creation of a few chorusing Cassandras. The media and opposition political parties have never lacked for doomsayers. After all, the economy is growing at 6 per cent (twice the Hindu rate of growth) and the average salary increase in India across-the-board in 2012 has been projected at 11.9 per cent by global HR consultants Aon Hewitt.

The other explanation is that the restaurant industry in India is different. "The average Indian eats out only 1.2 times a month," says Anjan Chatterjee, founder and managing director of Specialty Restaurants. "In Singapore, Hong Kong or London, people go out 40-50 times a month. It's bound to be like this."

Money in the pocket is one part of it. More importantly, eating out has acquired respectability. "Dining out has seen explosive growth in recent years as urban consumers seem to have found more occasions to celebrate," says a paper by IIM Ahmedabad professor Piyush Kumar Sinha. According to a US Department of Agriculture study, "Traditionally, Indians have tended to eat at home and eat Indian food. Those who ate outside the home often ate street food from the enormous number of street stalls and informal eateries. Eating out in a restaurant was reserved for special occasions. However, India appears to be in the early stages of a significant transformation in the restaurant sector. Indian consumers are eating out more frequently and younger Indians are shedding the biases of their elders against international franchises and foreign foods."

There was a time when the lady of the house would consider it an insult if the family went out for dinner. Today, particularly if she is a working woman, she welcomes the opportunity to lay aside her skillet and saucepan. "There are more nuclear families now," says Chatterjee. "The consumer is different – more evolved, more adventurous."

It is Chatterjee and his company who are responsible for the current exuberance amongst restaurateurs. In May this year, when the market for initial public offers (IPOs) was as dead as a frozen fish, Chatterjee took Specialty Restaurants to the market. It was oversubscribed and has now touched ₹215 against an issue price of ₹150 (*see box*). Many other restaurant promoters – some bigger than Chatterjee, some smaller – suddenly started talking valuations.

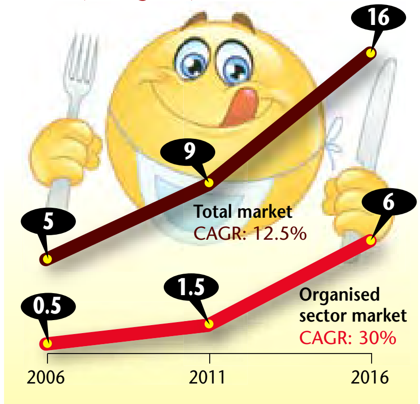
"You are going to see a lot more IPOs," says Zorawar Kalra, co-founder of the Punjab Grill chain along with father Jiggs Kalra. (It was subsequently sold to Amit Burman's Lite Bite Foods.) "Jubilant Foodworks (the only other listed restaurant company) was at one point valued more than the parent company. Those are unbelievable numbers. Look at Specialty. I made a killing on that. What it shows is that the market is hungry for restaurant IPOs."

Before the man on the street got to realising that restaurants could replenish his pocketbook as well as empty it, private equity funds were out hunting prey. They have been active in this arena for several years now (*see table*).

The first listings and the full-blooded response from lay investors should have sparked off

Hungry for growth

India's food and beverages services (dining out) market ($ billion)



Source: Technopak Emerging Trends in Indian Retail and Consumer 2011 cheering in the venture capital and private equity sector. It has not. Jubilant and Specialty are trading close to 40 and 80 times their price/earnings (P/E) ratio and the Gordon Gekkos have taken centre stage. "Every time I see a food & beverages business plan, they show me a table of the Jubilant and Specialty share prices," says Deepak Shahdadpuri, managing director of Beacon India Private Equity Fund. "Entrepreneurs insist they should be trading at 25 times P/E. When I refuse to pay more than 10 times, they walk. But they manage to get funded. Maybe I'm being too conservative and have missed out. My concern is there might be too much money chasing deals. But the good thing about private equity is that in five years, you will know." Shahdadpuri had invested $3.5 million in restaurant-related company Sula Wines in 2004. It was contrarian. ("At the time, people were focussed on outsourcing, technology and offshore businesses.") But it paid off. The restaurant sector in India at that time was high-glamour, high-capital and high-mortality.

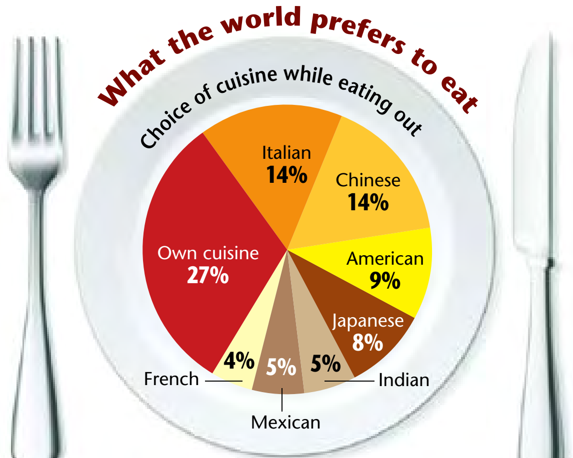
But things have changed. Last year, the sector received $256 million in funding and the first half of 2012 has seen four deals worth $55 million, according to Venture Intelligence, a research service focussed on private equity and M&A. Shahdadpuri says this is a familiar story that has been witnessed in other countries as they evolve from a developing to a developed nation. "The thesis for our investments is that GDP is growing, but more relevant is that per capita income is growing. There is migration from rural to urban India. People eat out 1.2-2 times a week now. The restaurant sector has an attractive business model and long-term growth drivers."

Pankaj Karna, managing director of Maple Capital Advisors, believes that most of that growth will be in the QSR (quick service restaurant) format or casual dining. "The more premium segment tends to be riskier, has durability issues and maximum exposure to market variations," he explains. He expects 20-40 per cent growth for restaurant brands depending on "where they are and what their business plan is."

"The QSR industry continues to grow because it is still young and has potential to penetrate throughout the country," says Kiran Nadkarni, CEO of Kaati Zone, a QSR for Indian rolls. The company plans to target corporate campuses and move to other cities.

"Rapid urbanisation has led to more malls, airports and corporate parks that are ideal for QSR," continues Nadkarni, "QSR offers value-for-money food to customers and addresses a need. Due to two-income families, longer working hours and longer commutes to the workplace, customers are now consuming food outside more often than in the past and QSR addresses this need."

"QSR and casual dining restaurants are doing better as compared to formal dining," says Amit Burman of Lite Bite Foods. "Exciting new retail



Source: Nielsen Consumer Insight

Fish market, topping show

The two listed restaurateurs in India are as unlike as cheese and chutney, with a few points in common however. The most important of these is the success of their scrips on the stock markets.

Shyam S. Bhartia is chairman of the $3 billion Jubilant Bhartia group. The conglomerate has 24,000 employees and business interests in pharmaceuticals, life sciences & healthcare, oil & gas (exploration & production), agriculture, performance polymers (adhesives), retail and consulting services in aerospace. The restaurant business – Jubilant FoodWorks – is only one course in Bhartia's lunch menu.

For Anjan Chatterjee, the promoter and managing director of Specialty Restaurants, food is his life. It was his dream to have a 'place of his own' even before he completed his course in a catering college in Kolkata. (Bhartia graduated from Kolkata too, but from the far more prestigious St. Xavier's College.) Chatterjee did other things en route to his restaurateur avatar: he worked with the Taj group of hotels, he did a stint with media house ABP Ltd as an advertising executive and also started an ad agency of his own.

Despite his advertising experience, Chatterjee does not believe in promoting himself. "The brand recognition of my restaurants is more important than personal recognition," he says. "Hence the so-called low profile." Indeed, those who have never heard of Chatterjee couldn't say the same of Mainland China, Oh! Calcutta and Sigree (some of his leading chains).

Bhartia also maintains a low profile, a matter of personal choice. His brother Hari S. Bhartia is the public face of the group. Besides, his wife Shobhana Bhartia, the chairperson of HT Media, commands enough limelight to keep him permanently in the shade.

The business models of Bhartia and Chatterjee too are quite different. Bhartia is a franchisee for global brands. Domino's Pizza and Dunkin' Donuts are the latest. (But a group company had a deal with Hot Breads, which didn't prove so hot.) Jubilant FoodWorks is India's largest food spaces have opened up in malls, on the high street, railway stations, metros and airports, giving a fillip to the restaurant business." As a consequence, says A.D. Singh of Olive Bar & Kitchen, "Any number of people are interested in investing in restaurants even though we do not have the same support for the industry as in Singapore."

Private equity doesn't come in armed with money and nothing else. "We don't make investments unless we have our own people who have very deep CEO-or COO-level experience in those businesses," says Parag Saxena, founder and CEO of New Silk Route. His company has just taken an undisclosed stake in South Indian fast-food chain Adigas. The restaurants have three floors – takeaway, casual dining and fine dining – with increasing price points. "This combination of offerings was very attractive," says Saxena.

Adigas has some North Indian fare also and this pot pourri is something which some others feel affects valuations. "If you look at the largest restaurant chains in the world, one common factor you will notice is their focus on a single product offering," says Jayanth Narayanan, a restaurateur and industry watcher. "McDonald's has burgers; Subway has sandwiches; Pizza Hut and Domino's have pizzas. In India, some of the very successful restaurants today – Rajdhani, Barbeque Nation – do the same." Adds Dheeraj Gupta of Jumbo King, "I am very focussed and will continue to be. I sell *vada pavs* to people on the go. I choose locations (often near railway stations) where I will get high footfalls. I sell *vada pavs* to people in a hurry, who want to pick up a quick bite. I will not start selling tandoori chicken one day even if there is demand."

Gupta clearly does not agree with New Silk Route's everything for everyone strategy. Others are more critical about private equity 'expertise'. There is a school of thought which holds that private equity does not know its armpit from its elbow, to use a polite version of what they

Jubilant Foodworks

(₹ crore)	2011-12
Net sales	1019.07
Net profit	103.29
Issue price (₹)	145
Listing date	8th Feb 2010
Current price (₹)	1,220
Diluted EPS (₹)	15.73
P/E	78

Consolidated figures

Speciality Restaurants

(₹ crore)	Apr-Dec '11
Net sales	150
Net profit	15
Issue price (₹)	150
Listing date	30th May 2012
Current price (₹)	218
Diluted EPS (₹)	5.2
Diluted EPS (annualised) (₹)	6.93
P/E	31

service company, with a network of 465 Domino's Pizza stores (as of 31 March 2012) across 105 cities. It has the exclusive rights for India, Sri Lanka, Bangladesh and Nepal. With a 54 per cent share of the organised pizza market and 70 per cent of the home delivery segment, it is riding high. The Dunkin' Donuts story has just begun, with the first store being flagged off in Delhi in early May.

Chatterjee, on the other hand, is into his own brands. He has 82 restaurants and confectionaries in 21 cities in India. He and his wife started Only Fish in 1992. That was a mom-and-pop place; now, of course, it is no longer only fish. Mainland China came in 1994 and Only Fish was renamed Oh! Calcutta in 1996. Mainland China contributes 60 per cent to revenues followed by Oh! Calcutta with 12 per cent.

Chatterjee aims to be a global player. "Give us five years and you will see a different company," he says. There is already an Oh! Calcutta in Dhaka. Bhartia, of course, can't have such ambitions. His domain is restricted to the areas in which he has a franchise. But India is big enough and it is changing. "The food service industry in India is a story that keeps unfolding by the minute," says Bhartia. "We have been successful in creating a unique bond with our customers."

The one place where the two restaurateurs are on practically equal footing is the stock market. Jubilant was the first off the blocks. The company listed in February 2010. It is almost nine times its issue price of ₹145. Speciality listed on 30 May this year. In a little over a month, it is quoting at ₹218. "We remain positive on the QSR growth opportunity and the strength of the Domino's brand and its USP," says Motilal Oswal Securities. Says a report by MF Global: "With plans to open 45 outlets over 2013-15, we expect Specialty Restaurants to maintain its growth momentum." According to Maple Capital Advisors, a number of restaurant players will approach the new issue market as soon as conditions improve.

Today, there are no restaurant analysts, excepting the people who do their analysis in restaurants rather than on them. But equity houses are adding it to their menu. If a Keema do Pyaaza (Domino's; ₹510) and a Lonka Bhapa Murgi (Oh! Calcutta; ₹480) can satisfy jaded palates at the stock market, why should a Bada Vada Pav be less a wow? ◆

actually say. They keep quiet because they may have to go to them for funds some day.

Having gone public, Chatterjee has no inhibitions about saying it like he sees it. "It's a bubble," he says, talking about the recent PE activity. "Unless a solid company comes in with consistency and performance, it will not survive. Do a brand equity map of Barbeque Nation; 90 per cent of the people will say it's gross food. It fills your stomach, it's quantity not quality. We got into a valuation game only now. It is obviously inflated and a bit of herd mentality." Adds Narayanan, "There are only a few large players today in the organised restaurant business, and every PE is chasing the same set of companies. This artificially inflates the value to some extent." A PE player himself, Shahdadpuri warns, "Don't overpay for your business. It is Investment 101."

SANJAY BORADE

Chaaterjee: the consumer is more evolved

New Silk Route, with its Adigas trophy, says it knows the ropes. Saxena has the experience of 20 restaurant-related investments outside India. New Silk Route has earmarked $100 million to invest in Indian food and beverage firms. "We also invest in these companies partly with a hope to change them," says Saxena. "If the same-store growth is not good, we're going to change it. Five of the top management positions in Adigas are different today from what they were."

Out of this *khichdi* of brands, strategies and the restaurants themselves, some winners will emerge. "I expect a few billion dollar restaurant brands in the new few years," says Gupta of Jumbo King. Adds Narayanan, "There will be a few strong national brands created in India mainly around cuisines that are unique to India."

Who will own these brands? Foreign direct investment (FDI) is allowed in this sector. There is a chance that it may go the way of advertising, where people can't wag their tails today without taking permission from New York or London. "No such fear," says Gupta. "Look at the unorganised

Zomatodors of many menus

The restaurant business would appear to be no place for e-tailers. You can send a virtual kiss to your significant other through cyberspace, but try sending a virtual fish. This is one place where the proof of the pudding is in the eating. Yet, net entrepreneurs have found opportunity here too.

Deepinder Goyal and Pankaj Chaddah, Delhi-based friends and colleagues, are the founders of Zomato. Their restaurant-related business is doing well online. "When we launched the business in 2008, we just put a few menu cards of restaurants around the office online," says Goyal. "We started off as a utility-driven Website; it was just to help people order food."

But the feedback they received was overwhelming. Soon, they built additional features onto the website and put up average ratings for restaurants collated from popular guides. "That's how we discovered the business. We basically grew from there," says Goyal.

Zomato (they switched the name from FoodieBay in 2010) has since grown to be India's largest restaurant guide with 32,000 listings across 10 cities. They also have mobile applications and print handbooks.

The slickly-designed website is not just a common-or-garden online yellow pages. You can narrow your search by cuisine, locality and the experience you want – dining in style or just catching up with friends. You can choose by wi-fi availability, credit card acceptance and live music – amongst several other idiosyncratic but essential filters. Zomato also provides listings and sells tickets for events being held at the restaurants they cover. "Getting good quality content is a constant challenge," says Goyal, "But it's also our edge over anyone else in the space. Our content is far superior."

That is perhaps why Zomato has 60 per cent market share, with Infomedia-owned burrp! next at 20 per cent (by Goyal's estimates). Regional, single-city information providers make up the rest. But there is clearly a demand for such services. The Zomato website gets 3.5 million hits a month, 850,000 mobile apps have been downloaded so far and they have revenues of ₹60 lakh each month.

After funding their own way for two years, they raised $1 million in July 2010 and another $3 million in August 2011, both from Info Edge. Zomato, currently in talks for a third round of funding, is being valued at $50-80 million. Good going for what started as a collection of menu cards.

Even the lower figure – $50 million – is an impressive valuation for a company that didn't exist four years ago and provides a service that most people don't know they want until they use it. The duo is soon expanding operations to Singapore and Dubai.

Goyal sees the restaurant industry in India expanding at a fast rate. "The number of restaurants listed with us increases by 25 per cent every quarter. Part of that can be attributed to our doing a better job but I am sure the growth is close to 10-15 per cent every quarter. That's huge. Other than mobile phones, no sector has seen this kind of growth."

With so many restaurants on the anvil, there is increasing need for a service to tell the good from the passable, the value-for-money from the indulgent and the Drones Club (where you could be hit by a flying bread roll) from the Diogenes Club (where members are not allowed to talk to each other). If Bertie Wooster wants to meet Sherlock Holmes, they would probably find a match on Zomato. ◆

SUMEET SAWHNEY

Goenka: aims to take Rajdhani global

sector," But Gupta has been careful to stay away from the PE boys. Jumbo King's funding is from HNI (high networth individual) friends.

The unorganised sector that Gupta mentions is huge. It is $7.5 billion today and will rise to $10 billion by 2019 (*see chart*). The organised sector is growing faster, but it will never be able to put the handcart selling kebabs out of business. It's cheap, smells divine and tastes out of the world. And if you have a chicken or two chirping in your stomach the next day, a tablet should do the trick.

The competition that the Indian chains will face is not on the pavements but on the high street. It will be in B class towns more than the metros. It will be a war fought not so much on the menu but on location and talent.

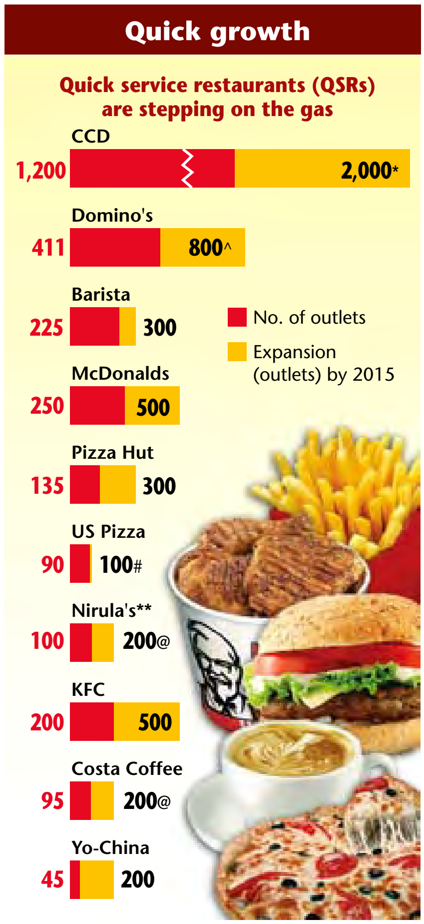
Will the Indian chains make the cut? Café Coffee Day (CCD) seems streets ahead. It has 1,200 outlets now and aims to step that up to 2,000 by 2018. It is taking pre-emptive action against the Starbucks entry. "We are fully integrated from bean to cup," says K. Ramakrishnan, president of marketing. "We have a large customer base; we understand the youth and their trends. And we stand for an Indian mass value brand." Starbucks has not yet launched so the company is unavailable for comment officially. But a little bird says that CCD is reacting to the Starbucks of today; "when it comes to India it will have a whole new bundle of tricks:"

Coffee is one thing, a restaurant is quite another. Given the range of Indian cuisines, is it possible to both stay focussed and have a national chain? Can you sell *mochar ghonto* with equal felicity in Kolkata, Kashmir and Kanyakumari? Of course, foreign chains have a problem too. But most of the time they are selling a concept, not a product. For McDonald's, the hamburger is the concept; the product can be tweaked.

Says McDonald's India managing director Vikram Bakshi, "When we came in 15 years ago, we already knew that some of the traditional products would not sell. We needed some altering; we needed to cater to the vegetarians. But more than the menu, in India, we had to make sure that all our vegetarian products were totally vegetarian and did not come in contact with anything non-vegetarian. So from tweaking our food processing plants to supplies to the kitchen, everything had to be rearranged. And we needed to showcase this to customers. We have been able to build this trust."

Now stores are being redesigned, not just in Mumbai and Delhi, but also in Ludhiana and Bareilly. Says Bakshi, "India has so many young customers; food is not just about need but aspiration."

"If Indian customers can get used to pizzas and burgers, because they are aspirational, I think they will accept Indian cuisines from different parts of the country," says Narayanan.



Figures are estimates. *Expansion by 2014. ^Expansion by 2017. #Expansion by 2012. Expansion by 2013CCD- Cafe Coffee Day. Navis Capital Partners, which bought into Nirula's in 2006, has recently picked up another chunk of the equity. With more control, plans may change.
Source: Maple Capital Report; company sources

"Some of the cuisines will have mass market appeal and can easily spread nationally – *chaats, dosas, biryanis* and rolls, for example."

Gaurav Goenka, managing director of Mirah Hospitality and Food Solution, which owns brands such as Falafel's, Rajdhani, Manchester United, Mad over Donuts, Palette and Café Mangii, says that you need a market penetration strategy, "For sit-down restaurants like Rajdhani, Café Mangii and Manchester United, we are focussing only on the top six Tier I cities," he says. "We tried them in Tier IIs but people are very price sensitive and the kind of cost and effort that goes into opening a restaurant in Tier I and II is the same. But returns are better in Tier I. For brands like Mad over Donuts and Falafel's, we are going into Tier I and Tier II. This year we will double most of our outlets. My next goal is to take Rajdhani global."

Will they do it? Will other Indian entrepreneurs follow suit? Gupta of Jumbo Kings says that the thought itself is way ahead of its time. There are huge promises and challenges in India to bother about whether Piccadilly will take to *vada pav*. "It is very hard. But it's possible," says Saxena of New Silk Route. "Infosys has done it."

Some restaurants have already gone abroad (*see chart*). But it seems a "keep the flag flying" sort of exercise. "All the Indian players who have operations overseas are currently

Food fault

Despite the surface glamour and rosy projections made by consultants about margins and profitability, the restaurant business is hardly easy for a new entrant, In fact, the failure rate for restaurants is disproportionately high considering the hype; global estimates suggest it may be 40 per cent plus.

In India, high rentals and lack of suitable real estate are the biggest stumbling blocks. In the big cities, the deposit could be 12 months' rent. "Availability of suitable real estate at reasonable prices is a key issue," says Jayanth Narayanan, whose first restaurant venture was, as he puts it, a 'critically acclaimed, commercial failure.' He has been more successful since.

Apart from real estate, the problems, according to Narayanan, are:

- Availability of ready-to-deploy staff, both in terms of numbers and salary levels that the business can support;
- Availability of quality raw materials at prices that are reasonably stable;
- The lack of infrastructure, especially for cold storage and transportation locally and across the country.

Kunal Agarwal, director of Brattle, a supply chain company working with temperature-controlled products for QSRs, agrees. "This infrastructure is completely lacking," he says. Dheeraj Gupta, co-founder, Jumbo King, stresses the same point. "Our expansion was hit because of problems with the cold chain," he says, adding that they have been sorted out now.

The other big issue is people. There is lack of well-trained staff, and poaching is very common. Unless you are a chef-cum-owner, there is always the danger that when the chef leaves, your clientele will follow him.

Parag Saxena, founder and CEO, New Silk Route, says that one way out is standardisation. Saxena had been an investor in Starbucks in his earlier job as CEO, Investco. He brought this learning to the table when New Silk invested in Cafe Coffee Day. "The biggest part is the standardisation, the constant training, the vigilantly-followed format," he says. "Starbucks has a university where they send people to get trained." So does MacDonald's. The Hamburger University in Shanghai is more difficult to get into than Harvard.

There is some action in India too. Catering colleges are springing up all over the place. These four-year hospitality courses could set you back ₹5 lakh a year in fees and living expenses. But there is no dearth of students because hospitality is now regarded as a jobseeker's paradise, another sign that restaurants (a big part of the hospitality pie) is set to take off.

Chatterjee has gone the HamU way. He has started his own training institute in Kolkata. "Our training centre in Kolkata was started for manpower supply. How else can I get ready manpower?" he asks. "I can't pinch from five-stars because they are very costly."

Classrooms for a company's own cooks may work in QSR space. The classier restaurant business calls for a high level of personal involvement; restaurateurs routinely need to put in 12-14 hour days. You have to gauge the market and the customer, and be clear about your concept and the target. There's no dearth of ambitious, mammoth ventures failing because they were too 'confused' including, most recently, a restaurant at Hotel Samrat in Delhi wedged between LAP and Shiro. It didn't quite know whether it wanted to be a coffee shop, a gourmet deli or party space.

There are many examples. Amit Burman is the successful entrepreneur behind Lite Bite Foods, one of India's biggest restaurant companies, started in 2008. But he had his share of disappointments when he first attempted to start the business. Forum, an upscale restaurant in Delhi's GK II, failed. Burman says it was because there were too many partners who did not know what they were doing. Since then, he has stuck firmly to the casual "family" segment that attracts a more mass, mall-going crowd.

Ritu Dalmia, chef and owner of Diva, is another high-profile restaurateur who talks about her early failures candidly. Much before Diva was launched almost 12 years ago, a young Dalmia had started with two casual concepts, Cappuccino and Mezzaluna. Both failed to take off, perhaps because Delhi was not yet ready for a global bite as it is today.

A.D. Singh's Ai, the contemporary Japanese diner that closed late last year, struggled because it was in the wrong mall. Designer Rohit Bal's Veda had to change tack to a family-style restaurant after a disastrous start under its New York-based chef, who served up a degustation menu with gobi manchurian. Manre, under Ramola Bachchan, failed to make the cut because it was financially too ambitious. Taj's Varq, the contemporary Indian diner, is struggling, getting mixed reviews and some scepticism from patrons. Smoke House Room is a unique fine-dining proposition. Yet, it is the bar that attracts more attention.

The success stories will tell you it is just a question of conceptualising the right product, in the right place for the right audience. But that is easier said than done. ◆

The bottomline

The economics of starting a restaurant

The investment

Average investment needed to set up a mid-level, high-street, full-service restaurant in a metro like Delhi is ₹40-50 lakh.

Expenditure breakup

Food costs can vary from 18-30% of the expenditure. About 10% goes towards staff expenses. Rents these days are as high as 20-30% of total costs; breakages 2-3%... it all adds up.

Profit

The best-case profit scenario is about 30% of sales. Actually, it is more like18-20% normally.

Breakeven period

6 months to 1 year.

Source: Restaurant owners and financiers

The food diaspora

Indian restaurant are setting sail

Café Coffee Day has two dozen odd outlets in the Czech Republic, Austria and Pakistan. On its radar screen are the Philippines and Vietnam.

Barista Lavazza has cafes in locations across Sri Lanka, Oman and the UAE. Next stop – Bangladesh.

Sarvana Bhavan has a presence in 10 countries with 38 outlets across the globe. Eight outlets are to be opened in two other countries.

Sanjeev Kapoor's Indian Cookery is present in West Asia and the US.

Moti Mahal expanded into London in 2005. It has established itself as one of the top five restaurants in the city.

Sagar Ratna has announced franchised projects in Canada, the US and Thailand. It has a food court in Dubai.

Bikanervala has set up shop in New Jersey and Dubai. Canada is next.

Source: The companies; White Paper on the Indian Restaurant Industry 2010

PRAKASH JADHAV

Ramakrishnan: standardisation is key

focussed on the Indian population in those countries," says Narayanan. "This mindset needs to change. The key to true global expansion and building a global brand is the ability to customise Indian cuisine for the global palate." Today's contenders, according to him, are Rajdhani, Adyar Ananda Bhavan, Saravanaa Bhavan, Haldirams and a few others. The ubiquitous tandoori chicken can go places, of course, though Britain has hijacked the chicken tikka masala.

Going abroad is a thought for the future. Today, it is much more about

Reality on the small screen

If eating out is one of the three top entertainment activities in India (according to an India Leisure and Entertainment Report by The Knowledge Tree Company), entertainment channels on TV are also waking up to the potential of food shows (as distinct from merely cookery or recipe-dominated shows of the past). A slew of food-based programmes, those that combine food with travel and those that can only be described as reality shows, has the Indian audiences hooked with just the right masala to the mix.

New York-based chef Vikas Khanna may have won a Michelin Star for his restaurant Junoon and serious acclaim from foodies and celeb clients in the Big Apple, but he became a household name in India only thanks to his stint as a judge on MasterChef India last year. The programme was hugely popular. The eventual winner of its competition "Shipra Khanna is today celebrated across the globe and has become an inspiration for many individuals who dream of being chefs in our country," says Nitin Vaidya, business head, Hindi channels, Star India. Vaidya confirms that the channel would certainly be looking at other food-based entertainment shows.

In fact, it is not just MasterChef India but MasterChef Australia that is hugely popular with young Indians in the metros. Now, as the third season is rolling, animated discussions on Facebook and social networking sites about the relative merits of the competitors are par for the course. In fact, Shiro, the popular bar and restaurant brand is running a MasterChef Australia promotion at its outlets to woo its urban, lifestyle audience.

Channels like Discovery, TLC, BBC Worldwide and, of course, NDTV Goodtimes all have a host of food-related programming that has been finding a growing audience in India. Even international cooking shows with chefs and anchors are followed regularly by Indians in the metros.

Indian chefs, anchors and TV food show hosts like Marut Sikka, Ritu Dalmia and Vicky Ratnani have become well-recognised outside their kitchens. A decade ago, the only Indian celeb chef was Sanjeev Kapoor, whose *Khana Khazana* has the record for the longest running TV show. Kapoor, of course, is today the man behind the country's first 24x7 food channel *Food Food* and feels that there was never a lack of demand for such programming, only a lack of supply.

The new genre of food-based TV programming has also made its new set of stars. And Rocky and Mayur of NDTV's Highway on My Plate are just two of them. With a book under their belt and a celeb status as the country's most recognisable foodies, they have not only reinvented themselves but also found alternative careers.

A report by Wharton Marketing suggests that there are more than 125 food shows across channels in India and that the average Indian viewer spends eight minutes per day watching some form of cooking show. As the interest in food and eating out grows, that's a figure set to only boom. ◆

The new foreign wave

As Aishwarya Nair, the Leela group heiress and a trained chef, shows off the antique kimonos used to panel the private dining room at the uber-chic Megu in New Delhi between recommending the excellent carpaccio and the wasabi cheese cake at the restaurant, you realise that this indeed is the dawn of what can only be called the 'Louis Vuittonisation' of the restaurant space in India.

Megu, the contemporary Japanese brand from New York aside, the past one-two years have seen a slew of international luxury brands open up in Mumbai and Delhi. Hakkasan from London, New York-based clubby Le Cirque not to mention the Spanish Arola brand run by two-Michelin-starred chef Sergi Arola, offering authentic Catalan cuisine, have all opened outlets in India. The high-end consumers of luxury in the country are lapping them all up.

The super luxe offerings are not the only global brands to be arriving. Like in fashion retail, there are enough MNC players in the "affordable luxury" and the mass segment too eyeing the India pie. Haagen Dazs ice-creams and desserts are competing with home-grown gelato chains, ice-cream on carts and indigenous kulfi vendors despite substantially higher prices. Chili's, the American fast food and burger brand, has four outlets in India now.

Of course, foreign food retail companies eyeing the growing India market is nothing new. The first wave of popular international brands coming started about 15-20 years ago, which is when the country got its first taste of McDonalds, Domino's, Pizza Hut, TGIF, Wimpy's, Ruby Tuesday and so on. While some of these are still around, there were notable failures too.

The big difference between the first wave of MNC restaurants and the new ones is in the kind of offerings and the market segments they are addressing. While in the early years, the international brands that came into India were mostly 'mass' and strictly non-gourmet, more premium and luxury brands are now entering the metros.

With reason. The profile of the upper-middle class consumer has changed drastically. Indians today are better travelled and more open to trying out global flavours than ever before. In fact the aspirational Indian today expects and demands the same quality of product and experience that he may have had abroad. Because many more of these people are exposed to trends in New York and London, it is mostly brands from these two foodie capitals of the world that tend to work in India.

In the past, the mass brands that entered India always had to contend with the challenges that the notorious 'Indian palate' posed. Indians then were more reluctant to experiment and MNCs hoping to capture the market had to localise their offerings – the aloo tikki burger, paneer tikka or makhni pizzas et al are all products of those times.

Those who resisted failed, KFC being a prime example. In its second coming, KFC had a lot of vegetarian and Indianised options such as paneer tikka rolls and chana crunch snacker. Yesterday, it was paneer before Parmesan. Those were hard times. Today, donuts have no don'ts. ◆

A meal for two will cost

₹6,000
at Arola

₹8,000
at Cirque

₹8,000
at Megu

people coming in. Last fortnight. Mia Cucina, an Italian restaurant, opened its third branch in Mumbai. Sanjay Kotian, chef of the Italian bistro and the owner, was on hand. Mia Cucina serves home-made pastas, thin crust pizzas and crisp salads. Why are so many foreign brands and chefs coming to India? "Everybody is heading to India because there are lots of opportunities and few entry barriers," answers Kotian. "It is both lucrative and satisfying... The response has been fantastic and we intend to set up three to four Mia Cucinas in Mumbai over the next three years." The investment has crossed ₹4 crore.

Phillip Di Bella, the founder of the Australian Di Bella Coffee was around to flag off expansion plans. He has five outlets in Mumbai and three more are being added in the next two months. "India is a budding coffee market," says Di Bella. "Coffee retailing is a growing segment in India. It is close to ₹450 crore at the moment, and is expected to grow at an annual rate of 30 per cent for the next few years. Di Bella will be the first café chain to have a full digital interaction platform throughout its outlets. There will be a Samsung Galaxy Tab on each table for customers to read the menu and place orders. They will also have net-surfing and email facilities on these devices."

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"Future trends will see more interactive restaurants in the casual dining space," says Burman of Lite Bite. When you get a Galaxy with coffee, you may well find an iPad with the *uttappam*.

◆ PARTHASARATHI SWAMI, NAMRATA CHOKSEY and ANOOTHI VISHAL